



# Department of Justice

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## **JUSTICE RECOMMENDS FCC DENY BELLSOUTH'S SECOND LONG DISTANCE APPLICATION IN LOUISIANA**

### **Department Says Changes Still Needed To Open Local Markets**

WASHINGTON, DC -- The Department of Justice recommended today that the Federal Communications Commission deny BellSouth's second application to provide long distance telephone service in Louisiana, because BellSouth has still not completed the steps necessary to open local telephone markets to competition. BellSouth had previously filed an application seeking permission to provide long distance in Louisiana last November. The first application was opposed by the Department, and the FCC rejected BellSouth's first application February 3, 1998.

"This is BellSouth's second application in Louisiana in less than a year, and many of the problems that we identified in our last evaluation still have not been resolved," said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division. "Although BellSouth continues to make progress towards opening its markets for local competition in its region, much remains to be done to ensure that Louisiana local markets are open to competition as required by the Telecommunications Act of 1996."

Since the break-up of the integrated Bell system as part of the AT&T divestiture, the independent Bell Operating Companies, or BOCs, have been barred from providing long distance services in their respective regions, first as part of the divestiture decree, and now under the terms of the Telecommunications Act of 1996 (the "Act").

Under Section 271 of the Act, a BOC, such as BellSouth, may not provide in-region long distance services until it demonstrates to the FCC that it has met a variety of legal requirements designed to open the local telephone markets in a particular state to competition.

In considering whether to approve a BOC's application for long distance authority in a particular state, the FCC must consult with the Department of Justice and give "substantial weight" to its assessment of competitive conditions in a market and whether the BOC should be allowed to provide in-region long distance service.

"Opening up local markets in Louisiana and elsewhere under the Telecommunications Act will enable consumers to reap the benefits that competition will bring -- lower prices, higher quality service, and enhanced service offerings," Klein emphasized. "As we noted in our previous evaluation, implementing the processes needed to facilitate local competition takes time, effort and commitment by the BOC to ensure that their systems work, and that their

services are offered at appropriate prices. We are continuing to work with BellSouth, as we are working with others, to help them meet the requirements of the Act.”

The Department said that BellSouth’s current application was deficient in that:

- BellSouth has maintained policies of physically separating critical pre-existing combinations of unbundled network elements (“UNEs”), as well as policies which impose unnecessary costs and technical obstacles on competitors that seek to combine UNEs. Collectively, these policies seriously impair competition by firms attempting to offer services using combinations of unbundled elements.
- Although the Louisiana PSC has generally adopted a pricing methodology that may permit competition, BellSouth has not taken steps since its first application was rejected to alter significant elements of its prices charged to competitors that were not based on that methodology. As a result, some of BellSouth’s prices for unbundled network elements could prevent efficient competitors from entering the market and competing effectively.
- Despite a number of improvements, BellSouth has not demonstrated that it offers adequate, nondiscriminatory access to the wholesale support processes, including operations support systems, that are used for ordering and provisioning needed facilities and services, as well as for maintenance and repair of those facilities and services.

BellSouth filed the current application with the FCC on July 9, 1998. Under the terms of the Act, the FCC must approve or deny the application by October 13, 1998.

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